

Message Text

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INFO USINT BAGHDAD

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AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

C O N F I D E N T I A L KABUL 6041

E.O. 11652: GDS

TAGS: PFOR, IE, AF, SA

SUBJ: AFGHANISTAN RECEIVES OFFERS DEVELOPMENT ASSISTANCE
FROM IRAQ AND SAUDI ARABIA

REF: A. KABUL 5594 (NOTAL); B. JIDDA 5368 (NOTAL);

C. BAGHDAD 606 (NOTAL)

1. SUMMARY: RECENT LOANS AND GRANTS OFFERED TO AFGHANISTAN BY SAUDI ARABIA AND IRAQ HAVE POLITICAL SIGNIFICANCE BEYOND ECONOMIC DEVELOPMENT. AFGHAN GOVERNMENT REPORTEDLY PLANS USE FUNDS INITIALLY FOR FEASIBILITY SCHEMES FOR FUTURE DEVELOPMENT OF WATER RESOURCES IN WESTERN PART OF COUNTRY. IT LIKELY TECHNICAL ASSISTANCE FOR FEASIBILITY SCHEMES MIGHT COME FROM INTERNATIONAL AGENCIES. END SUMMARY.

2. AFGHAN MEDIA RECENTLY ANNOUNCED LOANS AND GRANTS FROM SAUDI ARABIA AND IRAQ TOTALING 77 RPT 77 MILLION DOLLARS.

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THESE ASSISTANCE OFFERS BROKEN DOWN AS FOLLOWS: 2 MILLION

DOLLAR GRANT AND 10 MILLION DOLLAR LOAN FROM IRAQI GOVERNMENT; 10 MILLION DOLLAR GRANT AND 55 MILLION DOLLAR INTEREST-FREE LOAN FROM SAUDI ARABIAN GOVERNMENT. ACCORDING MIN/PLANNING KHURRAM, TERMS THESE GRANTS AND LOANS AS FOLLOWS: (A) SAUDI ARABIAN GOVERNMENT EXTENDED 10 MILLION DOLLAR GRANT FOR PREPARATION FEASIBILITY SURVEYS. SUBSEQUENT LOAN FOR 55 MILLION DOLLARS IS INTEREST-FREE WITH REPAYMENT OVER TWELVE-YEAR PERIOD COMMENCING THIRD YEAR AFTER COMPLETION OF DEVELOPMENT PROJECT. IF FEASIBILITY SURVEY PROJECTS ADDITIONAL COSTS FOR DEVELOPMENT PROJECT, GOA WILL HAVE FIRST PRIORITY ON SAUDI ARABIAN DEVELOPMENT BANK FOR ADDITIONAL LOAN FUNDS UP TO 400 MILLION DOLLARS. (NOTE: WE UNDERSTAND SAUDI ARABIAN DEVELOPMENT BANK CURRENTLY CAPITALIZED AT 3 BILLION DOLLARS); (B) IRAQI GOVERNMENT EXTENDED 2 MILLION DOLLAR GRANT FOR PREPARATION FEASIBILITY SURVEYS AND 10 MILLION DOLLAR LOAN TO BE REPAID AT TWO PERCENT INTEREST OVER PERIOD TWENTY YEARS COMENCING ONE YEAR AFTER COMPLETION OF DEVELOPMENT PROJECT.

3. DONOR NATIONS REASONS FOR EXTENDING FINANCIAL ASSISTANCE SEEM BE THOSE CITED IN REFTELS B. AND C. GOA OBVIOUSLY PLEASED BY ASSISTANCE EXTENDED, BUT WE HAVE HAD SOME CONFLICTING REPORTS OF CURSORY TREATMENT RECEIVED BY GOA MIN/PLANNING KHURRAM BY IRAQI OFFICIALS (REPORTED SEPARATELY).

4. PRELIMINARY INDICATIONS ARE GOA PLANS USE IRAQI ASSISTANCE FOR DRAWING UP OF FEASIBILITY SCHEMES FOR DEVELOPMENT OF WATER RESOURCES OF HARI BUD BASIN IN WESTERN AFGHANISTAN NEAR CITY OF HERAT. SAUDI ASSISTANCE REPORTEDLY WILL BE USED FOR SIMILAR DEVELOPMENT OF FARAH RUD BASIN IRRIGATION PLAN IN SOUTHWESTERN AFGHANISTAN NEAR IRANIAN BORDER. BOTH THESE PROJECTS WILL REQUIRE EXTENSIVE FEASIBILITY WORK WHICH MIGHT BE PERFORMED BY INTERNATIONAL TEAMS VIA AUSPICES OF WORLD BANK OR OTHER INTERNATIONAL AGENCIES.

5. EMBASSY COMMENT: SAUDI FONOFF DIRECTOR'S COMMENTS REPORTED PARA TWO, REFTEL B LXND CREDENCE EMBASSY ESTIMATE THAT GOA IS ATTEMPTING WITH SOME SUCCESS LESSEN AFGHAN DEPENDENCE, BOTH POLITICAL AND ECONOMIC, ON SOVIET UNION. CONFIDENTIAL

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BELIEF THAT IRAQI GOVERNMENT HOPES COUNTER IRANIAN INFLUENCE IN AFGHANISTAN NOTED PARA TWO, REFTEL C BOLSTERED BY RECENT VISIT IRAQI TRADE AND CULTURAL DELEGATIONS TO AFGHANISTAN. HOWEVER, ANY INCREASE IN TRADE BETWEEN AFGHANISTAN AND ARAB NATIONS WILL PROBABLY REQUIRE INCREASED USE OF IRANIAN FACILITIES FOR SHIPPING AFGHAN GOODS. KEY TO EXPLOITATION THESE AND OTHER OFFERS FINANCIAL ASSISTANCE FROM MORE AFFLUENT MUSLIM NATIONS SEEMS BE AFGHAN ABILITY PREPARE OR HAVE PRE-

PARED AND EVALUATE MEANINGFUL FEASIBILITY ACHES FOR VIABLE ECONOMIC
DEVELOPMENT PROJECTS. SINCE GOA TALENTS FOR SUCH WORK
CURRENTLY MINIMAL AT BEST, EMBASSY BELIEVES AFGHAN GOVERNMENT
WILL TURN TO INTERNATIONAL AGENCIES FOR PREPARATION SUCH
SCHEMES. END COMMENT.

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